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**BY HAND DELIVERY AND EMAIL**

The Honorable James D. Boyd, Vice-Chairman and Presiding Member  
The Honorable John Geesman, Commissioner and Associate Member  
Hearing Officer Paul Kramer  
California Energy Commission  
1516 Ninth Street  
Sacramento, CA 95814-5512

**Re: Carlsbad Energy Center Project (07-AFC-6)  
Response to Staff's Issues Identification Report**

Dear Commissioners and Hearing Officer Kramer:

On December 7, 2007, California Energy Commission ("CEC") Staff presented its Issues Identification Report ("Report") for the Carlsbad Energy Center Project (the "Project" or "CECP"). Carlsbad Energy Center LLC ("Carlsbad Energy") is pleased to provide the following comments in response thereto. Carlsbad Energy will work cooperatively with CEC Staff and the City of Carlsbad to ensure that this environmentally superior and regionally important energy project is approved and built on a schedule consistent with San Diego County's critical need for new local capacity by 2010. The California Public Utility Commission ("CPUC") recently stated the need for new fossil-fueled generating resources in the San Diego area is 1,005 megawatts ("MW").

CECP not only will be a very important step toward achieving the 1,005 megawatts of needed new generation and ensuring that the region has a reliable and efficient supply of clean electrical energy meeting greenhouse gas standards, the Project also represents an important step forward toward an ultimate phase out of the aging steam generating units at the Encina Power Station ("Encina") and eliminating the use of ocean water for cooling. The Project will add 540 new MW (for a net 220 MW considering the shutdown of Units 1, 2, & 3) at strategically located Encina, which is a critical location on the San Diego Gas and Electric regional electrical grid that brings important electricity south into the San Diego region. CECP's presence would help reduce dependence on supplies from the north and help ensure a stable supply of electricity in the Carlsbad load center even in the event of emergency loss of imported power on transmission

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lines, as we saw during the 2007 wildfires in San Diego. Additionally, the fast 10-minute starting feature of CECP provides a reliable backup power source to the region's renewable resources (such as wind), which may not be available during peak demand periods.

CECP will replace the three oldest of the five units at Encina with new, efficient, low-impact units, located on the eastern-most section of the Encina property, across the railroad tracks and up against I-5 in a low visibility location, as outlined in the City's Redevelopment Plan for the area. The Project creates significant environmental benefits to the area including permanent shutdown of the Units 1, 2, and 3, eliminating the once-through ocean water cooling associated with those retired units, which has received substantial support from environmental organizations concerned with the marine effects of such systems. Because of the reduction of overall once-through ocean cooling at the Station, the Coastal Commission has stated it will not have comments on the Project. Additionally, CECP improves the greenhouse gas emissions performance at Encina by over 30% relative to the existing units through substantial fuel efficiency gains. These energy and environmental attributes of the CECP aligned precisely with all local, regional, and state initiatives aimed at modernizing our aging electrical infrastructure, including the South Carlsbad Coastal Redevelopment Plan, the 2007 CEC Integrated Energy Policy Report, Energy Action Plan II, and the San Diego Regional Energy Strategy Report. It also achieves the goals of AB 1576 by using imbedded infrastructure and existing land use rather than imposing these burdens on a Greenfield location.

All of these energy and environmental benefits and enhancements will be realized with implementation of CECP and without adverse impacts to the environment or the community. Further, the Project facilitates the Applicant's and the City of Carlsbad's published shared vision of relocating the generating units away from the beach, in a smaller, more efficient generating station, phasing out the existing power plant so that the remainder of the site can one day be redeveloped consistent with permitted uses within the coastal zone. Implementing CECP now takes us in a long way forward to realizing such a future and the balance of the existing Encina steam generating units, Units 4 and 5 (net 630 MW), would then be phased out when those units are no longer needed to maintain electrical system reliability.

### **Land Use Issues**

The Issues Identification Report raises two reasons why Land Use is considered to be a major issue. For one, it discusses the City of Carlsbad's assertion that a comprehensive update to the Specific Plan is required to be provided as part of this Project. We believe that conclusion is incorrect for several reasons.

